

TDS TELECOM

Government and Regulatory Affairs

October 18, 1996

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Ex Parte

William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, DC 20554

Re: CC Docket 96-45, In the Matter of Federal-State Joint Board on Universal Service

Dear Mr. Caton:

On October 16, 1996, Mark Barr of Century Telephone, Margot Humphrey of Koteen & Naftalin, and Kevin Hess, Bob DeBroux and the undersigned of TDS Telecom, met with Jeanine Poltronieri and E. Bryan Clopton, Jr., of the Universal Service Branch, to discuss concerns of rural LECs with respect to the Joint Board proceeding. Specifically, the LEC representatives asked that rural LECs: 1) not be forced to use proxies; 2) be allowed to disaggregate their high cost support to reflect cost differences within their serving areas; and, 3) be allowed to maintain USF and DEM weighting support and their current study areas. Additionally, the representatives asked that industry be given sufficient time to quantify and evaluate impacts of proposed rules. Finally, the representatives explained maps and graphs detailing the inadequacies of proxies for determining rural LECs' costs.

Enclosed herewith are the documents provided to Ms. Poltronieri and Mr. Clopton at Wednesday's meeting. I have enclosed three copies of this notice and attachments in accordance with sections 1.1206(a)(1) and 1.1206(a)(2) of the Commission's rules. Please date stamp and return the provided copy in the enclosed self-addressed, stamped envelope.

Respectfully submitted,

Elizabeth H. Valinoti

Elizabeth H. Valinoti
Manager
External Relations

Attachments

cc: J. Poltronieri
E. B. Clopton

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List ABCDE

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(318) 388-9500

CENTURY TELEPHONE ENTERPRISES, INC. OVERVIEW

- Serves approximately 500,000 access lines in 14 states
- Operates 36 local exchange companies (222 exchanges) as of September 30, 1996
- Average number of access lines per company = 13,907 (per exchange = 2,255)
- Largest company serves 74,396 access lines (Century Telephone of Ohio, Inc.),
Smallest company serves 230 access lines (Century Telephone of Chester, Inc.)
- Average number of access lines per square mile = 17.9,
Average RBOC access lines per square mile = 330
- Company with the greatest density = 362 access lines per square mile,
Company with the lowest density = 1.4 access lines per square mile
- 99% of access lines are digital

TDS TELECOM

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TDS TELECOM OVERVIEW

- Serving approximately 430,000 access lines in 28 states
- Operates 102 local exchange companies as of April 29, 1996
- Average number of access lines per company = 4,297
- Largest company serves 50,677 access lines (Tennessee Telephone);
Smallest company serves 450 access lines (Danube Telephone)
- Average number of access lines per square mile = 10.5;
Average RBOC access lines per square mile = 330
- Company with the greatest density = 328 access lines per square mile;
Company with lowest density = 0.5 access lines per square mile
- 99.8% of access lines are digital

**Century Telephone & TDS Telecom
Universal Service Key Points
Fall 1996**

The FCC must adopt rules based on the universal service standards and principles set forth by Congress in the 1996 Act. Congress intended these provisions to ensure rural America of quality, affordable, evolving services, including access to advanced telecommunications and information services and reasonably comparable rural and urban services and rates.

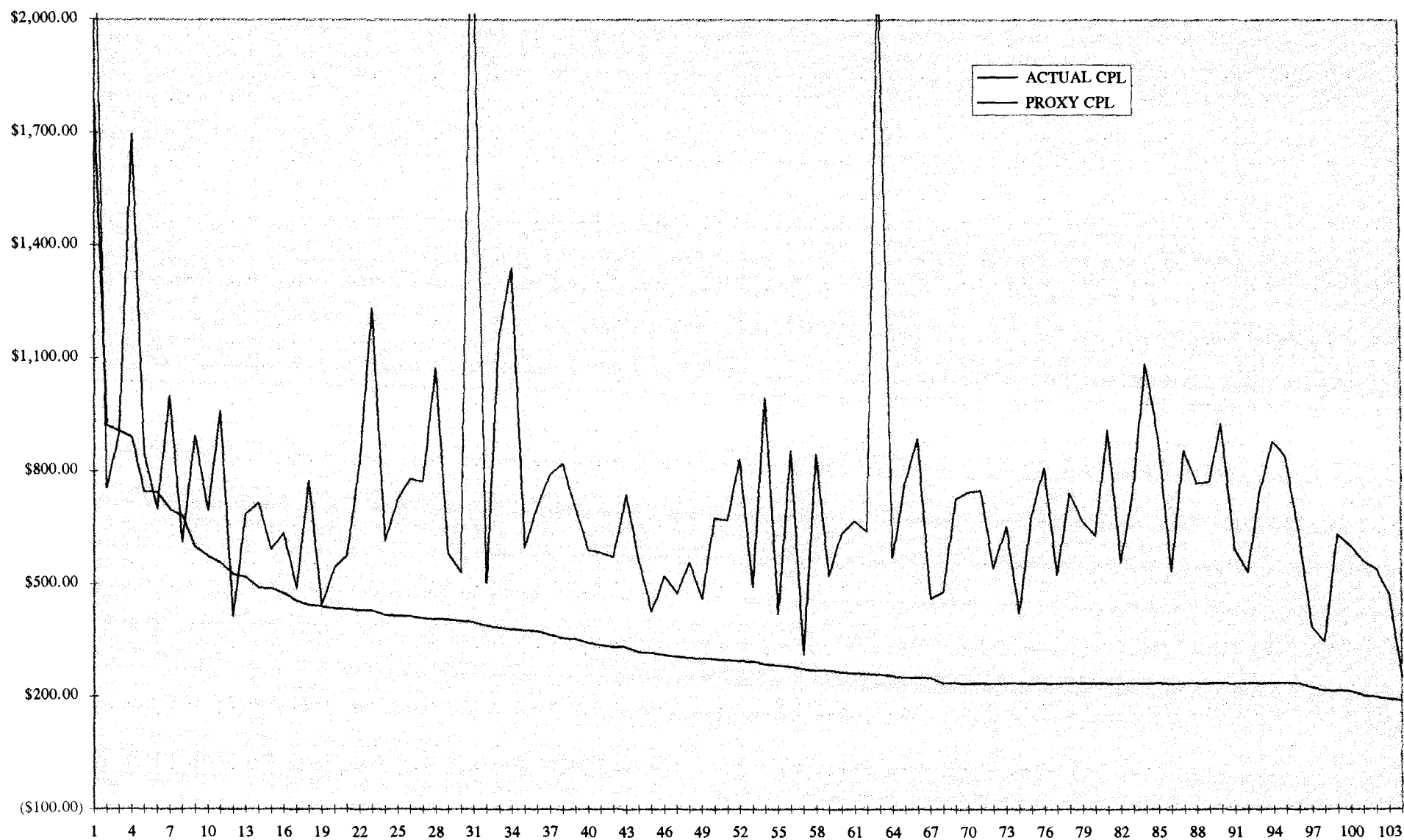
- 1) Efficient entry requires all ETCs in rural areas to be reimbursed out of a high cost fund based on actual costs.
 - So far no proxy has proven sufficiently accurate in predicting rural LECs' costs to avoid under- or over-compensation.
 - Experimenting with proxies or bidding for rural LEC high cost recovery would conflict with the Act's mandate for sufficient, specific, and predictable federal high cost mechanisms used only to provide universal service.
 - If a bifurcated approach is adopted, non-price cap companies should continue to receive support based on actual costs.

- 2) Incumbent LECs should be allowed to disaggregate their high cost support to reflect cost differences within their serving areas.
 - Because new entrants will naturally build their facilities first to low cost subscribers, new entrants will receive a windfall of unnecessary support if they receive support based on the average cost of the incumbent LEC serving the entire area with its own facilities.
 - Disaggregation of the incumbent LEC's support will ensure that the fund is properly targeted.
 - An allocation factor will be necessary for rural LECs to disaggregate the total high cost support based on their actual costs.

**Century Telephone & TDS Telecom
Universal Service Key Points
(continued)**

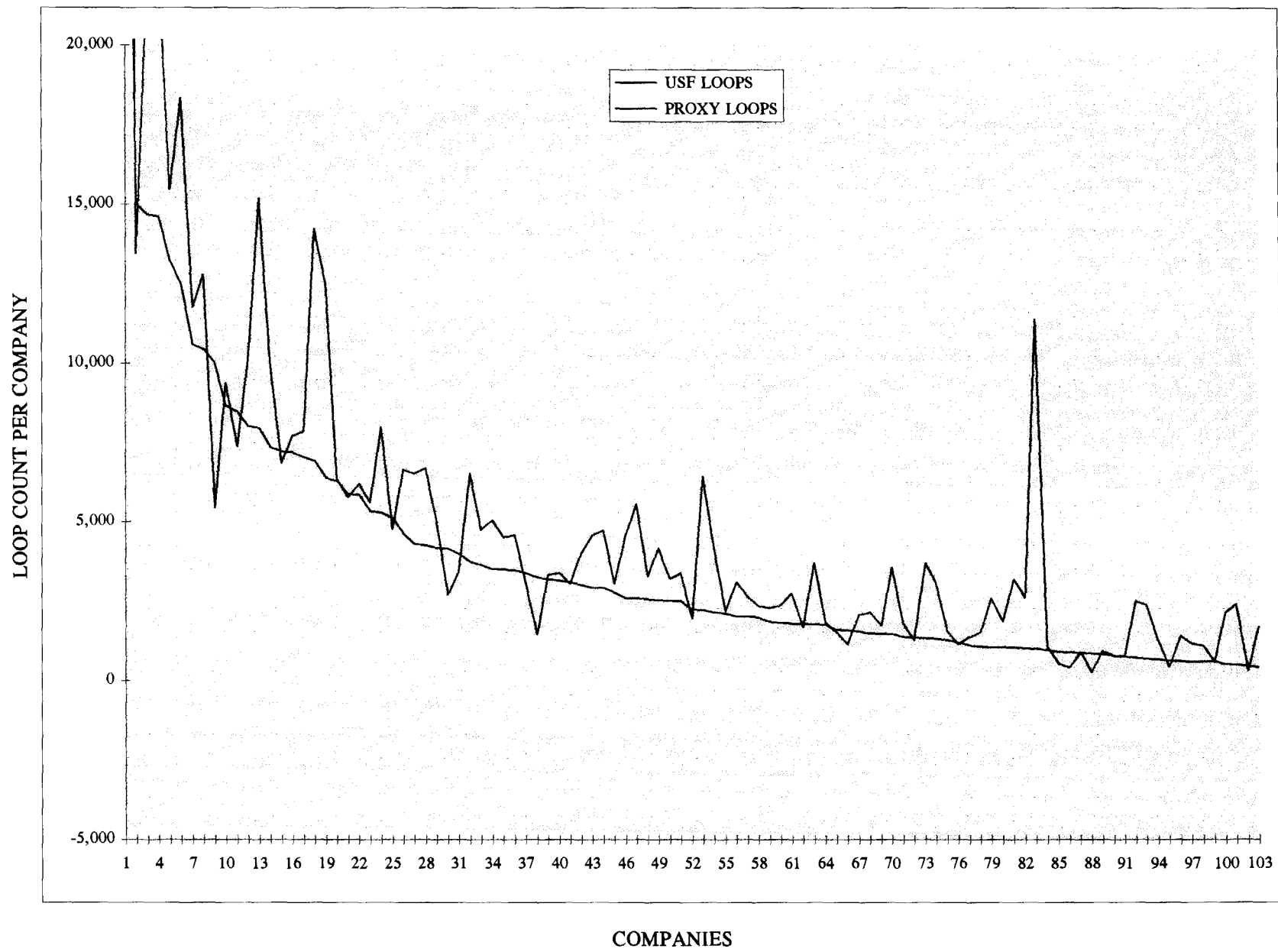
- 3) USF, DEM weighting, and current study areas should all be maintained for rural LECs.
 - Merging USF and DEM would undermine sufficiency and impair rural infrastructure development. Inadequate support resulting from combined USF and DEM would force rural LECs to curtail infrastructure development.
 - Forced study area consolidation would raise intrastate cost recovery burdens, ignore corporate boundaries, fail to mitigate high costs, and conflict with the statutory principle of sufficient federal cost recovery.
- 4) As implicit support is removed, for example, through access restructure, it must be replaced with sufficient explicit support.
- 5) The record must fully quantify and evaluate the impact of specific rules before they can be adopted as consistent with the 1996 Act.
 - Rural LECs must have the opportunity to comment on the impact of recommended rules between the Joint Board's November 8, 1996, recommendation and the May 8, 1997, deadline for FCC action.

TDS TELECOM
ACTUAL COST PER LOOP
VS.
BCM2 COST PER LOOP



SOURCE: NECA data filed with FCC August 1996.

TDS TELECOM OPERATING COMPANIES
USF LOOPS VS BCM2 LOOPS



SOURCE: NECA data filed with FCC August 1996.

UTELCO, INC. Monroe, Wisconsin

